EXHIBIT A-26

PART II 2 pcgh_1k.htm FORM 1-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 1-K

ANNUAL REPORT PURSUANT TO REGULATION A OF
THE SECURITIES ACT OF 1933
For the fiscal year ended: December 31, 2022

PHOENIX CAPITAL GROUP HOLDINGS, LLC

(Exact name of issuer as specified in its charter)

Delaware	**83-4526672**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

18575 Jamboree Road
Suite 830
Irvine, CA 92612
(Full mailing address of principal executive offices)

(303) 749-0074
(Issuer's telephone number, including area code)

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION AND FIGURES

This Annual Report on Form 1-K, or the Annual Report, of Phoenix Capital Group Holdings, LLC, a Delaware limited liability company, contains certain forward-looking statements that are subject to various risks and uncertainties. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "outlook," "seek," "anticipate," "estimate," "approximately," "believe," "could," "project," "predict," or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain financial and operating projections or state other forward-looking information. Our ability to predict results or the actual effect of future events, actions, plans or strategies is inherently uncertain. Although we believe that the expectations reflected in our forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth or anticipated in our forward-looking statements. Factors that could have a material adverse effect on our forward-looking statements and upon our business, results of operations, financial condition, funds derived from operations, cash available for distribution, cash flows, liquidity and prospects include, but are not limited to, the factors referenced in our offering circular dated January 6, 2023, filed pursuant to Rule 253(g)(2), under the caption "RISK FACTORS" and which are incorporated herein by reference (https://www.sec.gov/Archives/edgar/data/1818643/000165495423000193/pcg_253g2.htm).

When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this report. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our views as of the date of this report. The matters summarized below and elsewhere in this report could cause our actual results and performance to differ materially from those set forth or anticipated in forward-looking statements. Accordingly, we cannot guarantee future results or performance. Furthermore, except as required by law, we are under no duty to, and we do not intend to, update any of our forward-looking statements after the date of this report, whether as a result of new information, future events or otherwise.

All figures provided herein are approximate.

Item 1. Business

General

Unless the context otherwise requires or indicates, references in this Annual Report on Form 1-K to "us," "our" or "our Company" refer to Phoenix Capital Group Holdings, LLC, a Delaware limited liability company.

Phoenix Capital Group Holdings, LLC, a Delaware limited liability company, was formed on April 16, 2019, to purchase mineral rights and non-operated working interests in the United States, primarily in the Williston Basin, the Permian Basin, the Powder River, and the DJ Basin, using the Company's proprietary software system to identify unique opportunities. Although the Company has targeted specific regions, we are agnostic to geography and look to focus exclusively on the best "bang for the buck" when determining which assets to buy. The more area the Company can cover, the more we can ensure we are achieving the optimal return for invested capital.

The Company focuses on assets that present high near-term predictable cashflow. This analysis includes the geography of the asset, the probability of future oil wells and predictability of both the timing and value of the cashflow. Using the proprietary software that the Company has developed internally, the Company is typically able to achieve an average payback period of 9-30 months on assets it buys. Additionally, the Company employs a tax-efficient strategy of offsetting royalty income through use of intangible drilling costs (non-operated working interests).

We have developed a highly customized and proprietary software platform which has customized inputs that pull in detailed land and title data, well level data including operator, production metrics, well status, date of all activities well specific activities, and historical reporting. Separately, a discounted cash flow model, using management inputs for discount rate and the price of oil, are used in an underwriting function to price assets. Various application programming interfaces ("APIs") pull data from 3rd party databases and aggregate them into a dashboard with various levels of permission for our team. These APIs call-in refreshed data each night at midnight, so the dynamic nature of the system creates efficiency on a day-to-day basis. In function, this tool provides our sales and marketing team with a summary version of assets to prospect for acquisition. These assets are graded internally based on management's desired target criteria for high probability of high near-term cash flows. A daily acquisition price is furnished to the sales team so that the sales team is informed as to the maximum price that we are willing to offer in any prospective transaction. Interested prospects then go through an automated document request using the Salesforce workflow, which distributes the opportunities to our operations team for the preparation of an offering and sale package. The offering and sale package is then delivered to the prospective seller. Using the CRM features, the sales team is able to record all notes in real time and each opportunity can be tracked from its original data upload through the lifecycle of the sales process. While the data inputs are largely based on public information, considerable customization and coding has been done specific to what we desire from the tool. This aggregate, niche, scalable software platform is specific to us and there is no known competitive product. As such, the software creates considerable intrinsic value to operational efficiencies, however, also has de-facto value should it ever be licensed or sold. We currently have no intention of licensing or selling the software.

The Company does not own any copyright, patent rights or any other intellectual property rights regarding its customized software platform; however, the Company believes the investment of significant monetary and intellectual resources have created a proprietary software platform that would be difficult to replicate.

Organizationally, the Company is broken into five departments made up of land and title, operations, technology, sales and marketing, and finance. Each business unit collaborates both internally and with the other departments to create both autonomy and a team environment. As of the date of this Annual Report, the Company has a combined domestic headcount of 51 employees and contractors.

We entered into a Credit Agreement on October 28, 2021 (the "Credit Agreement") with Cortland Credit Lending Corporation ("Cortland") which provided for a total senior facility of $28,000,000. On April 28, 2023, the Company and Cortland Credit Lending Corporation agreed to "term out" the remaining principal over 10-months, starting in April 2023 and ending in January 2024. The Cortland facility is secured by all of the property and assets owned by the Company. Our Bonds (defined below) are subordinated in the right of payment to the Cortland facility. The Credit Agreement contains provisions, representations, warranties, covenants and indemnities that are customary and standard for secured debt. The foregoing description of the Credit Agreement is qualified in its entirety by reference to the Credit Agreement incorporated by reference as an exhibit to this Annual Report.

We filed an offering statement on Form 1-A (the "Offering Statement") with the United States Securities and Exchange Commission (the "SEC") on November 19, 2021, as amended by Form 1-A/A amendments, filed on December 8, 2021 and December 20, 2021 respectively, which offering statement was qualified by the SEC on December 23, 2021. We filed a post-qualification amendment to the Offering Statement on December 23, 2022, which was qualified by the SEC on January 5, 2023. Pursuant to the Offering Statement, as amended, we are offering a maximum of $75,000,000 in the aggregate of the Company's 9.0% unsecured bonds (the "Reg A Bonds"). The purchase price per Bond is $1,000, with a minimum purchase amount of $1,000. Assuming that the maximum amount of Reg A Bonds is purchased and issued, we anticipate that the net proceeds will be approximately $74,250,000, if we sell the maximum offering amount. As of April 28, 2023, we had issued 60,217 Reg A Bonds for gross proceeds to the Company of $59,901,200. The Reg A Bonds have maturities ranging from January 2025 to April 2026. We intend to continue to sell the Bonds through December 23, 2024, or the date upon which our Manager determines to terminate the offering, in her sole discretion.

We are currently offering up to $300,000,000 of unsecured bonds in an offering exempt from registration under the Securities Act of 1933, as amended, pursuant to Rule 506(c) of Regulation D promulgated thereunder (the "Reg D Bonds," and together with the Reg A Bonds, the "Bonds"). As of the date of this offering circular, we have sold an aggregate principal amount of approximately $110,961,602 of the Reg D Bonds. The Reg D Bonds have maturities ranging from May 2023 to April 2030 and interest rates ranging from 8.0% to 12.0%. Net proceeds from the sale of the Bonds will be used for the purchase of mineral rights and non-operated working interests, as well as additional asset acquisitions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Phoenix Capital Group Holdings, LLC was formed in the state of Delaware on April 16, 2019. As of December 31, 2022, the Company conducts operations from three physical offices located in Irvine, CA, Denver, CO, and Casper, WY respectively.

Phoenix developed a software platform in 2019 to identify, analyze, underwrite, and formally transact in the purchasing of mineral royalty assets. Mineral royalties are contractual obligations at defined royalty rates between an operator that acts as a payor, and a mineral owner. Upon completion of an acquisition, Phoenix becomes the beneficiary of this contract royalty payment, as the mineral owner of record. With respect to the technology platform, the software is used solely for the internal benefit of Phoenix and is not currently licensed to any 3rd party. The analytics driven; automated system incorporates data sets from multiple 3rd party sources through custom API's that call in refreshed data every 24 hours. Within the system, various dashboards can be accessed to analyze and review granular data sets at the asset level. Internal underwriting criteria generate offers to purchase assets furnished to the Phoenix sales and marketing team based on a discounted cash flow model driven by conservative estimates and inputs as a function of the data analysis and management inputs and assumptions.

Since inception, Phoenix has acquired over 2,364 different mineral assets of which roughly 2,153 remain owned by the Phoenix as of the date of this Annual Report. Assets that were disposed of were conveyed principally to private equity firms who operate in the vibrant, liquid secondary market.

As of the date of this Annual Report, the Company database has nearly 318,000 individual records in the current markets of interest which are comprised of the key basins in North Dakota, Montana, Wyoming, Colorado, and Texas. The software can incorporate data sets form any basin within the United States, however the addressable market in the focus regions alone is more than sufficient to create significant scale. However, management does anticipate expanding beyond these regions over time.

Phoenix is a private, family and employee-owned company.

Results of Operations — For the Years Ended December 31, 2022 and December 31, 2021

Phoenix closed its $28 million investment facility on October 28, 2021 with Cortland Credit Lending Corporation. In addition, Phoenix formally launched its Regulation A and D offerings in early 2022 to warm reception. These programs have raised over $83 million in funds as of December 31, 2022 with the trend line of investments in these programs continuing to accelerate. The company views this extraordinary method of capitalizing the Company as a unique competitive advantage to its peers. The addition of this capital into the Company's buy-and-hold strategy coupled with higher commodity pricing seen across the globe have yielded higher revenues than seen in the same period in 2021.

Revenue

Royalty revenues significantly increased in the same period in 2022 in comparison to 2021, as was expected by the increase in capital investment in the Company and the price increase across the global commodity markets ($57,562,966 and $13,568,798, respectively). If our capital raising efforts continue at our recent pace, or increase in pace, Management believes revenues will grow at a similar pace over the next several years as additional capital is deployed and the Company continues to generate compounding revenue streams.

Trend Information

The Company is excited and encouraged by the success of its capital raising program. The company believes it has two very powerful competitive advantages to its peers, its industry-leading underwriting software and its unique (in the Company's industry) successful capital raising program. Management believes that coupling those competitive advantages will create a sustainable and attractive growth vehicle that can elevate the Company to an industry leader in the mineral rights and non-operated working interest domain. The size and scale of the Company at the end of 2022 allow the Company to evaluate drilling its own leasehold assets, allowing the Company to further control its cashflow and capitalize upon prospective opportunities.

Item 3. Managers and Officers

Our Company is a manager-managed limited liability company and managed by our sole manager pursuant to our limited liability company agreement. Lion of Judah, LLC has the power to select the manager of our Company in its sole discretion. The following table sets forth information on our manager and executive officers.

Name	Age	Position with our Company	Manager/Officer Since
Lindsey Wilson	37	Manager and Chief Operating Officer	April 2019
Curtis Allen	37	Chief Financial Officer	February 2020
Kris Woods	36	Chief Technology Officer	August 2019
Sean Goodnight	47	Chief Acquisition Officer	June 2020
Justin Arn	42	Chief Land and Title Officer	April 2020
Brynn Ferrari	33	Chief Marketing Officer	April 2023
Matt Willer	46	Vice President of Capital Markets	March 2021
Adam Ferrari	40	Vice President of Engineering	April 2023

Set forth below is biographical information for the executive officers and managers of our Company.

Lindsey Wilson, Manager and Chief Operating Officer. Lindsey brings years of extensive practical experience leading diverse, multidisciplinary teams in the energy sector. Lindsey entered the oil and gas industry in 2011 as a Leasing Agent in Texas and this foundational experience was the springboard that ultimately allowed her to transition into more advanced management roles within the mineral and leasehold acquisition space. As a founding member of Phoenix Capital Group, Lindsey establishes the objectives of the business and leads all operational functions within the Company. Responsible for overseeing the day-to-day operations of Phoenix Capital Group, Lindsey takes great pride in working with all departments on setting and achieving aggressive business goals. Lindsey graduated from the University of Texas Arlington and holds a Bachelor of Business Administration with a concentration in Marketing.

Curtis Allen, Chief Financial Officer. Curtis graduated *magna cum laude* from SUNY Oswego with both his BS and MBA concentrated in accounting. Curtis has over 10 years' experience in financial services with an emphasis on investment analysis. As a CPA, Curtis has a range of experiences from his private tax-practice to auditing billion-dollar defense contractors with the Department of Defense. Most recently, he has spent over 7 years managing investments for personal and corporate clients. Alongside being a CPA, Curtis also holds series 7 and 66 licenses and has passed the CFA level I. At Phoenix Capital Group, Curtis is responsible for all accounting and finance functions and underwriting new potential deals along with a multitude of day-to-day operational tasks.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership Acquirable	Percent of Class
LLC Interests	Daniel Ferrari*	N/A	28.79%
LLC Interests	Charlene Ferrari*	N/A	28.79%
LLC Interests	Lindsey Wilson**	N/A	8.16%
LLC Interests	Curtis Allen**	N/A	8.16%
LLC Interests	Kris Woods**	N/A	3.47%
LLC Interests	Sean Goodnight**	N/A	3.47%
LLC Interests	Justin Arn**	N/A	4.72%
LLC Interests	All Executives and Managers	N/A	28.98%

* Daniel Ferrari and Charlene Ferrari each own 50% of the voting membership interests in and are the managers of Lion of Judah, LLC, which owns 57.58% of the Company. Their address is 1983 Water Chase Drive, New Lenox, IL 60451. Adam Ferrari is the economic interest owner of Lion of Judah, LLC, but has no voting or managerial interest in Lion of Judah, LLC and, therefore, is not a beneficial interest holder of the Company.

** 18575 Jamboree Road, Suite 830, Irvine, CA 92612.

Item 5. Interest of Management and Others in Certain Transactions

The Company and Adam Ferrari, our Vice President of Engineering and son of Charlene and Daniel Ferrari, entered into a Consulting Agreement on November 1, 2021 for Mr. Ferrari to provide petroleum engineering consulting services to the Company. This Consulting Agreement terminated as of the commencement of Mr. Ferrari's employment as our Vice President of Engineering. Over the course of the Consulting Agreement, we paid Mr. Ferrari a total of $507,416.69 in consulting fees, including $323,000 in fiscal year 2022.

Item 6. Other Information

None.